



U.S. Small Business Administration

[← Home for this Area](#) [Previous Location →](#)

## FACT SHEET ABOUT U. S. SMALL BUSINESS ADMINISTRATION MILITARY RESERVIST ECONOMIC INJURY DISASTER LOAN PROGRAM

Filing Period for small businesses to apply for economic injury loan assistance begins on the date the essential employee is ordered to active duty and ends on the date 90 days after the essential employee is discharged or released from active duty.

(**NOTE:** This program applies to military conflicts occurring or ending on or after March 24, 1999)

The purpose of the **Military Reservist Economic Injury Disaster Loan program (MREIDL)** is to provide funds to eligible small businesses to meet its ordinary and necessary operating expenses that it could have met, but is unable to meet, because an essential employee was "called-up" to active duty in their role as a military reservist. These loans are intended only to provide the amount of working capital needed by a small business to pay its necessary obligations as they mature until operations return to normal after the essential employee is released from active military duty. The purpose of these loans is not to cover lost income or lost profits. MREIDL funds cannot be used to take the place of regular commercial debt, to refinance long-term debt or to expand the business.

Federal law requires SBA to determine whether credit in an amount needed to accomplish full recovery is available from non-government sources without creating an undue financial hardship to the applicant. The law calls this credit available elsewhere. Generally, SBA determines that over 90% of disaster loan applicants do not have sufficient financial resources to recover without the assistance of the Federal government. Because the Military Reservist economic injury loans are taxpayer subsidized, Congress intended that applicants with the financial capacity to fund their own recovery should do so and therefore are not be eligible for MREIDL assistance.

**Credit Requirements:** SBA's assistance is in the form of loans, as such SBA must have a reasonable assurance that such loans can and will be repaid.

**Collateral Requirements:** Loans of \$5,000 or less do not require collateral. Loans in excess of \$5,000 require the pledging of collateral to the extent that it is available. Normally the collateral would consist of a first or second mortgage on the business property. In addition, personal guaranties by the principals of the business are required. The SBA will not decline a loan for lack of collateral, but you must pledge available collateral.

**Interest Rate:** Interest rates are determined by formulas set by law and recalculated quarterly. The maximum interest rate for this program is 4%.

**Loan Term:** The law authorizes loan terms up to a maximum of 30 years. SBA determines the term of each loan in accordance with the borrower's ability to repay. Based on the financial circumstances of each borrower, SBA determines an appropriate installment payment amount, which in turn determines the actual term.

**Loan Amount Limit - \$1,500,000:** The actual amount of each loan, up to this maximum, is limited to the actual economic injury as calculated by SBA, not compensated by business interruption insurance or otherwise, and beyond the ability of the business and/or its owners to provide. If a business is a major source of employment, SBA has authority to waive the \$1,500,000 statutory limit.

**Insurance Requirements:** To protect each borrower and SBA, SBA requires borrowers to obtain and maintain appropriate insurance. Borrowers of all secured loans (economic injury loans over \$5,000) must purchase and maintain full hazard insurance for the life of the loan. Borrowers whose property is located in a special flood hazard area must also purchase and maintain flood insurance for the full insurable value of the property for the life of the loan.

## **MILITARY RESERVIST ECONOMIC INJURY DISASTER LOAN PROGRAM**

### **Frequently Asked Questions**

**Q. I've heard that SBA loan applications are complicated and hard to complete. Is this true?**

No. The application form asks you for the same information about the business and its substantial owners and managers that generally is required for a bank loan. If you need help, SBA personnel will explain the forms and give you assistance at no charge. You may use the services of accountants, attorneys, or other representatives if you wish, but be sure they are reliable and that their fees are reasonable. You must report the use of a representative and the fees charged on your loan application.

**Q. Must I use my own money or try to borrow from a bank before I come to SBA?**

No. The resources of the business and its principals will be considered in determining the ability of the business to recover without the assistance of the Federal government.

**Q. When should I apply for the loan?**

As the program applies to military conflicts occurring or ending on or after March 24, 1999, small businesses that meet all the other eligibility requirements have until November 24, 2001 to apply. Otherwise, the filing period begins on the date the essential employee is ordered to active duty and ends 90 days after the date the essential employee is discharged or released from active duty.

**Q. What documentation do I need to give SBA to apply for his type of loan?**

The filing requirements are listed at the beginning of the application (SBA Form 5R). In addition to the financial information required you would normally submit for any loan, your application package must also include the following:

- a copy of the essential employee's "orders" for active duty or copy of their discharge or release papers from active duty status
- a statement from the small business owner that the reservist is essential to the day-to-day operations of the business along with a written concurrence by the essential employee
- a written explanation and estimate of how the essential employee's activation to military service has or will result in the small business experiencing substantial economic injury
- a description of the steps the business is taking to alleviate the substantial economic injury
- a certification from the small business owner that the essential employee will be offered the same job or similar job upon the employee's return from active duty

**Q. What is an essential employee?**

An essential employee is an individual (whether or not an owner of the small business) whose managerial or technical expertise is critical to the successful day-to day operations of the small business.

**Q. What is meant by a "period of military conflict"?**

Period of military conflict means (1) a period of war declared by Congress, or (2) a period of national emergency declared by the Congress or the President, or (3) a period of contingency operation. A contingency operation is designated by the Secretary of Defense as an operation in which our military may become involved in military action, operations, or hostilities (e.g., peace keeping operations).

**Q. What does "substantial economic injury" mean?**

Substantial economic injury means that your business either has been or will be adversely impacted by the deployment of the military reservist and that the business is (1) unable to meet its financial obligations as they mature, and/or (2) unable to pay its ordinary and necessary operating expenses, and/or (3) the small business is unable to market, produce or provide a service ordinarily marketed, produced or provided.

**Q. When will I know if I get the loan?**

That depends on when you file a complete SBA loan application. To make a loan, we must be satisfied that the business can repay the loan from its operations and take reasonable safeguards to help ensure the loan is repaid. Since we process applications in the order received, the faster you return the application with all the needed information, the faster we can work on it. We try to make decisions on each application within 7 to 21 days. Be sure the information in your application is complete; missing information is the biggest cause of delay.

**Q. How soon can I expect my money?**

After we approve the loan, we will tell you what documents are needed to close the loan. Once we receive these documents, we can disburse the funds. Because the MREIDL funds are subsidized by the taxpayer, the SBA provides the money in quarterly installments unless otherwise specified in your loan documents.

To obtain a Military Reservist Economic Injury Loan Application please contact the Disaster Area Office that serves your state or territory.

**SBA DISASTER AREA OFFICES**

**Small Business Administration  
Disaster Area 1 Office  
360 Rainbow Blvd. S., 3rd Fl.  
Niagara Falls, NY 14303  
1-800-659-2955  
(716) 282-4612**

Serves: Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, U.S. Virgin Islands, Vermont, Virginia and West Virginia

---

**Small Business Administration  
Disaster Area 2 Office  
One Baltimore Pl., Ste. 300**

**Atlanta, GA 30308**  
**1-800-359-2227**  
**(404) 347-3771**

Serves: Alabama, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Minnesota, Mississippi, North Carolina, Ohio, South Carolina, Tennessee, and Wisconsin

---

**Small Business Administration**  
**Disaster Area 3 Office**  
**14925 Kingsport Road**  
**Ft. Worth, TX, 76155-2243**  
**1-800-366-6303**  
**(817) 868-2300**

Serves: Arkansas, Colorado, Iowa, Kansas, Louisiana, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah and Wyoming

---

**Small Business Administration**  
**Disaster Area 4 Office**  
**P.O. Box 419004**  
**Sacramento, CA 95841-9004**  
**1-800-488-5323**  
**(916) 735-1500**

Serves: Alaska, American Samoa, Arizona, California, Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, Guam, Hawaii, Idaho, Nevada, Oregon, Republic of the Marshall Islands and Washington